Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International Advanced Level

Wednesday 10 January 2024

Morning (Time: 2 hours)

Paper reference **WBS13/01**

Business

International Advanced Level
UNIT 3: Business decisions and strategy

You must have:
Source Booklet (enclosed)

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **ALL** questions in Sections A, B and C.
- Answer the questions in the spaces provided – *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ▶

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SECTION A

Read Extracts A, B, C, D and E in the Source Booklet before answering Question 1.

Write your answers in the spaces provided.

1 (a) Explain **one** benefit to *Patagonia* of having a mission statement.

(4)

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(b) Using the data in Extract B, calculate to two decimal places the three year moving average for the percentage of recycled material used in clothing by *Patagonia* in 2021. You are advised to show your working.

(4)

Porter's five forces is a model that looks at the competitive environment for a business.

(c) Using Extract C, discuss the threat to *Patagonia* from new entrants into the outdoor clothing market.

(8)

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(d) Assess the importance of transformative leadership to *Patagonia*'s long-term success.

(12)

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(e) Assess the impact of *Patagonia*'s commitment to the environment rather than to its shareholders.

(12)

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(Total for Question 1 = 40 marks)

TOTAL FOR SECTION A = 40 MARKS

SECTION B

Read Extract F in the Source Booklet before answering Question 2.

Write your answer in the space provided.

2 Evaluate the likely benefits of contingency planning for a business such as *IKEA*.

(20)

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(Total for Question 2 = 20 marks)

TOTAL FOR SECTION B = 20 MARKS

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SECTION C

Read Extracts G and H in the Source Booklet before answering Question 3.

Write your answer in the space provided.

3 Using the data in Extracts G and H, evaluate *ASOS*' survival plan to improve its financial position.

(20)

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(Total for Question 3 = 20 marks)

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 80 MARKS

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GradeMax

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Source Booklet

Do not return this Booklet with the question paper.

Turn over ▶

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Sources for use with Section A

Extract A

Patagonia's mission statement

"We're in business to save our home planet."

Staying true to our core values during 50 years in business has helped us create a business we are proud to run and work for. To stay in business for at least 50 more years, we must defend the place we all call home.

Patagonia grew out of a small American business that made tools for climbers. Mountain climbing is still at the centre of this worldwide business that makes clothes for climbing as well as for skiing, snowboarding, surfing, fishing, mountain biking and running.

Patagonia is known for its supply chain transparency. We have implemented fair labour practices throughout our supply chain. This includes paying fair wages to over 75,000 clothing factory employees, providing safe working conditions and ensuring environmental responsibility in 67 factories, farms and mills.

Extract B

Patagonia's use of recycled materials in clothing

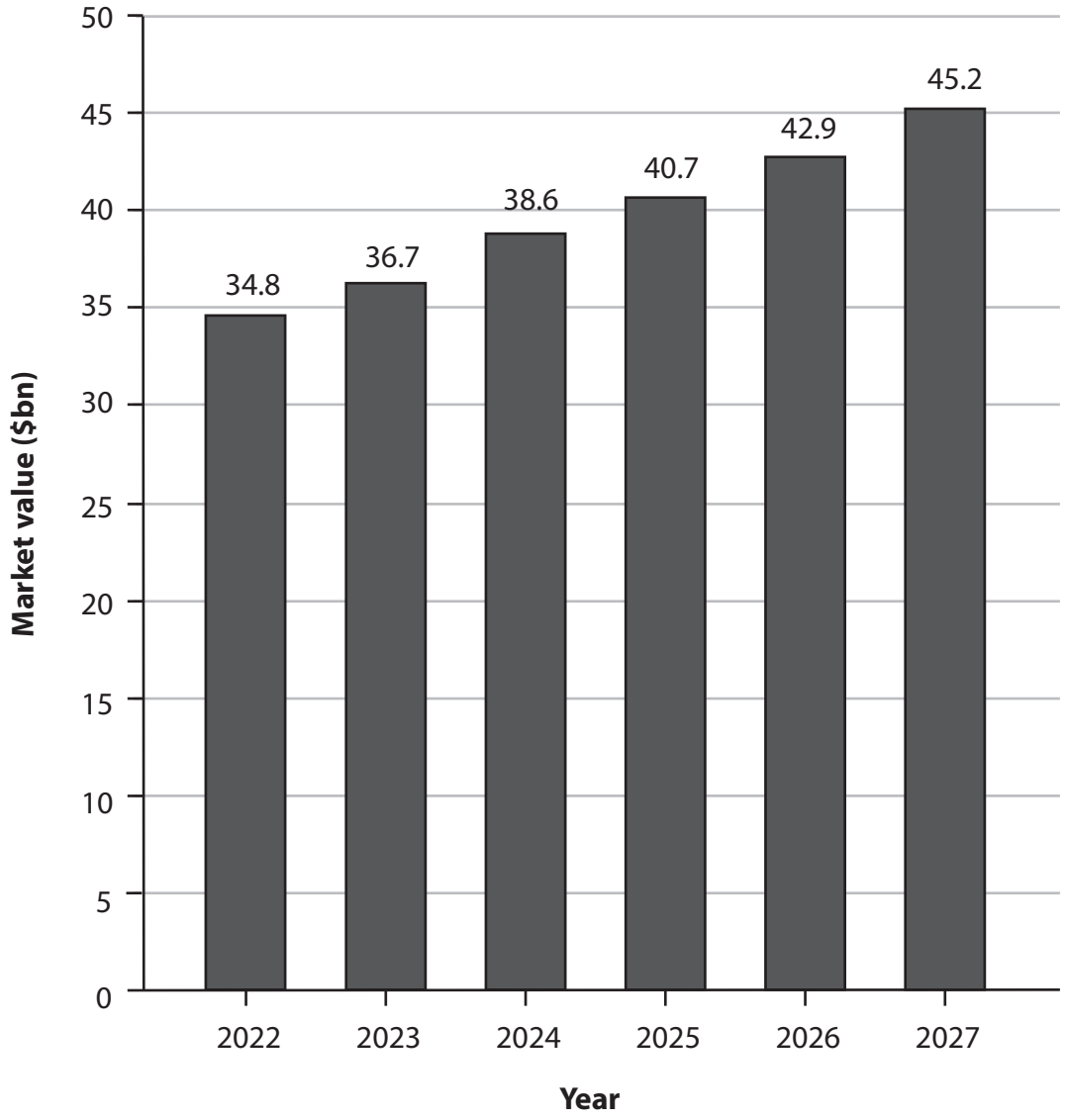
Patagonia started making fleece jackets from recycled plastic bottles in 1993 and in 1996 was an early adopter of organic cotton.

Recycled materials are used by *Patagonia* in a variety of clothing including coats, running tops and yoga leggings.

Year	Percentage (%) of recycled materials used by *Patagonia*
2015	24
2016	26
2017	29
2018	35
2019	31
2020	65
2021	66
2022	72

Extract C

Forecast worldwide value ($bn) for the outdoor clothing market 2022–2027



The growth in the number of people participating in physical activities worldwide is acting as a force for growth in this market.

The outdoor clothing market is highly competitive. The major key global businesses present in the market include *Columbia Sportswear*, *Patagonia*, *The North Face*, *Canada Goose*, *Salomon* and *Jack Wolfskin*.

5

Extract D

Yvon Chouinard: *Patagonia*'s CEO

Yvon Chouinard never wanted to start a business. He hated the way businesses had treated the environment for the sake of profits.

With *Patagonia*, Chouinard created an outdoor clothing business model based on selling fewer products. For 50 years, *Patagonia* has been at the cutting edge of sustainability and social responsibility. Its outdoor clothing comes with a lifetime guarantee. It encourages its customers to repair and reuse items rather than just discard them.

Because of Chouinard's transformative leadership, *Patagonia* is a brand associated with quality and the highest environmentally-friendly standards. *Patagonia* employees talk about Chouinard with a devotion that suggests they view him as a somewhat unpredictable genius.

Customers are more loyal than ever, building *Patagonia* into a business Chouinard never expected to lead.

Extract E

***Patagonia*'s profits to help tackle the climate crisis**

Future profits, expected to be around $100m per year, will be used to tackle the climate crisis. Since 1985 *Patagonia* has donated 1% of sales to the preservation and restoration of the environment, awarding more than $89m to environmental groups.

Patagonia's 83-year-old billionaire founder Yvon Chouinard, said in an open letter to stakeholder groups, "Earth is now our only shareholder. Instead of extracting value from nature and transforming it into wealth for investors, we'll use the wealth *Patagonia* creates to protect the source of all wealth."

Patagonia's move comes as more companies shift towards balancing the financial benefit of shareholders against the interests of employees, customers and the environment.

Source for use with Section B

Extract F

CEOs forced to change decades of forecasting habits

Top *IKEA* executive Jesper Brodin, from the Swedish furniture group says he misses the old days when the world seemed relatively stable, when trends were predictable and these could be used to prepare reliable multi-year business plans.

"The risks, the uncertainty, everything that used to be in a risk management strategy is happening. We laugh about the time when we were doing one-year budgets, and how we would be right or wrong by 0.3%," he said.

CEOs across the world are struggling to make sense of confusing economic signals. The worst predictions of economic crisis and energy shortages from last year have not happened but it feels uniquely hard to predict the path ahead at the moment.

IKEA, for instance, has changed its approach. Instead of setting out specific goals for the year, it has a range of scenarios and contingency plans to give the business flexibility as the outlook changes. It means acknowledging that widely different outcomes are possible. "It is teaching us agility in how we operate," said Brodin.

A year ago, *IKEA* expected customers to reduce spending because of high energy bills and mortgage rates. This did not happen. Meanwhile, supply chain disruptions improved more quickly than anticipated, leaving the group with more inventory and, in turn, the need to lower the prices of some of its furniture products.

For *IKEA*, input costs are the most difficult to forecast. Although transport costs have fallen Brodin did not expect that greater demand for wood to burn as fuel would make this material more expensive. "We are celebrating that things are going in the right direction," said Brodin, "but we have no way of accurately predicting what is going to happen in 6–12 months."

Sources for use with Section C

Extract G

ASOS launches survival plan

The UK-based online fashion retailer, which has seen its shares slump by as much as 80% in the past year, has launched a major cost-cutting strategy in a fight to prevent losses.

Under plans by its chief executive, *ASOS* will reduce the amount of products it stocks, cut spending and reduce investment in robotic warehouses in the US. *ASOS* admitted that it had become too dependent on discounts and promotions and is planning to reduce these.

The plan followed reports that *ASOS* was facing a cash shortage as it hurried to agree new lending with banks. Its debt totalled £153m, compared with a cash balance of £200m a year earlier.

ASOS said it was expecting the clothing market to decline over the next year.

Extract H

A selection of financial data for *ASOS*

	2022 (£m)	2021 (£m)
Revenue	3 936.5	3 910.5
Gross profit	1 717.5	1 776.4
(Loss)/profit for the year	(30.8)	128.4
Current assets	1 554.0	1 559.7
Inventories	1 078.4	807.1
Current liabilities	1 040.0	998.0
Non-current liabilities	942.0	852.5
Capital employed	1 956.9	1 886.5

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Acknowledgements

Extract A adapted from: https://www.patagonia.com.hk/pages/our-mission

Extract B adapted from: https://www.patagonia.com/on/demandware.static/-/Library-Sites-PatagoniaShared/default/dw18ad9c7c/PDF-US/Patagonia-2021-BCorp-Report-Updated-2-15-22.pdf

Extract C adapted from: https://www.statista.com/statistics/979475/outdoor-clothing-market-value-forecast-worldwide/#:~:text=In%202022%2C%20the%20outdoor%20clothing

Extract D adapted from: https://foundr.com/articles/leadership/transformational-leadership

Extract E adapted from: https://www.ft.com/content/18b65e37-945a-4237-ae48-31ab1906ec58

Extract F adapted from: https://www.ft.com/content/456baa69-83df-4c7f-af7b-49e6451a1183

Extract G adapted from: https://www.telegraph.co.uk/business/2022/10/19/asos-launches-survival-plan-swings-32m-loss/

Extract H adapted from: https://find-and-update.company-information.service.gov.uk/company/04006623/filing-history